

October 2003

GEN-03-12

Subject: NSLDS Calculation of Aggregate Loan Amounts

Summary: In this letter and its enclosures, we describe new procedures that are used by NSLDS to calculate aggregate loan limits for the FFEL and Direct Loan programs when a student has consolidated some or all of their student loans. We also respond to several related questions to assist schools in using the financial aid history functions of NSLDS.

Dear Partner:

The National Student Loan Data System (NSLDS) when reporting (on its Web site and on ISIRs) aggregate loan amounts for Subsidized Loans, Unsubsidized Loans, and combined loans, bases its calculations on disbursed amounts and outstanding balances of the individual Subsidized and Unsubsidized loans reported for the student. In addition, since consolidation loans in the Direct Loan program are reported to NSLDS as either subsidized or unsubsidized (and a student can have both), those amounts are also included in the appropriate aggregate amount. However, NSLDS cannot treat FFEL Consolidation Loans the same way since, unlike Direct Consolidation Loans, they are not reported to NSLDS with any indication of what portion of the loan is subsidized and what is unsubsidized. Therefore, prior to 2003-2004, NSLDS simply reported the amount of any FFEL Consolidation Loan received by the borrower, leaving the school to determine what portion should be applied to the subsidized loan limit and what amount was unsubsidized and should be applied only to the combined loan limit (See Q 30-5 and 52-55 from DCL GEN-96-13 – available on IFAP under Archived Publications – Dear Partner/ Colleague Letters or directly at http://www.ifap.ed.gov/dpcletters/doc0501_bodyoftext.htm). This practice placed a significant burden on schools and they have continually asked that NSLDS perform the calculation to reduce their workload.

In response to those requests, starting with 2003-04 processing, NSLDS allocates FFEL Consolidation Loans to Subsidized, Unsubsidized, and combined aggregate totals, using a specific algorithm and certain assumptions. As explained more fully below, while this process works well in most cases, there still are instances when NSLDS is unable to determine if a portion of a FFEL Consolidation Loan should be counted as subsidized or unsubsidized. When that occurs, the amount is reported by NSLDS as “Unallocated”. The sum of the Subsidized, Unsubsidized and Unallocated equals the combined total that is reported by NSLDS.

The information included on the enclosures to this letter, provided in a Question and Answer (Q&A) format, should provide sufficient guidance so that schools can properly determine if an applicant for Title IV Federal student aid has exceeded, or is close to exceeding, one or more of the aggregate loan limits that apply to the FFEL and Direct Loan programs.

We thank you for your continued support of the Title IV student assistance programs and your recommendations for improvement to the services that NSLDS provides. If you have any questions or comments on the information contained in this letter and the enclosures, please contact the NSLDS Customer Service Center at 1-800-999-8219, from 8:00 A.M. to 8:00 P.M. eastern time, except Federal Holidays. Or, you can e-mail your question to <mailto:nsldscoe@raytheon.com>

Sincerely,

Matt Fontana, Director
National Student Loan System Group
Federal Student Aid
U.S. Department of Education

Enclosure to Dear Partner Letter GEN-03-12
NSLDS Calculation of Aggregate Loan Amounts

Q1: What are the aggregate loan limits for the FFEL and Direct Loan programs?

A1: For all undergraduate students the aggregate Subsidized loan limit is \$23,000. For dependent undergraduate students the combined loan limit is also \$23,000. For independent undergraduate students (and certain dependent students whose parents have applied for but are not eligible for a PLUS loan) the combined aggregate is \$46,000.

The Subsidized aggregate limit for graduate students is \$65,500 and the combined limit is \$138,500. All loans received by the student, including those received as an undergraduate student, count toward these limits. Note also, that certain health professions students have eligibility for extra unsubsidized loans and thus, their aggregate combined loan limit is \$189,125. Detailed information on loan limits can be found in the Federal Student Aid Handbook.

Q2: Do FFEL and Direct Loan have separate aggregate loan limits?

A2: No, the aggregate loan limits discussed above apply to a student's total combined borrowing under both the FFEL and Direct Loan Programs.

Q3: Are amounts of FFEL and Direct Loans that have been consolidated included in the calculation of a student's aggregate borrowing for purposes of determining if a student has exceeded loan limits?

A3: Yes, the Higher Education Act provides that the portion of a consolidation loan that is attributed to an underlying FFEL or Direct Loan (except for a PLUS loan from either program) be included in determining the amount of Subsidized and combined loans that have been borrowed by the student.

Q4: Are there portions of a consolidation loan that are not included in the FFEL/Direct Loan aggregates?

A4: Yes, a student may have included in his or her FFEL or Direct Loan consolidation loan outstanding balances from PLUS loans, from the Federal Perkins Loan Program, or from one or more of the Department of Health and Human Services (HHS) educational loan programs. Portions of a consolidation loan that are attributed to PLUS, Perkins or HHS loans are not included when calculating a student's FFEL and Direct Loan outstanding aggregate balances. Note also, while Perkins and PLUS loans are reported to NSLDS, HHS loans are not. This is important to the discussion that follows beginning with Q&A #9.

Q5: What is an underlying loan?

A5: An underlying loan is a loan that was consolidated into either an FFEL or Direct Loan consolidation loan. For purposes of calculating a student's total aggregate borrowing, NSLDS had been treating a loan as an underlying loan if (1) the Loan Status Code of the underlying loan is PC, PN or DN (one of the paid-by-consolidation status codes) and (2) the Loan Status Date of the underlying loan is within 210 days (plus or minus) of the date the consolidation loan was made. See Q&A #6 below for a description of a recent change to this definition.

Q6: I sometimes see what appear to be underlying loans reported with a Loan Status Code of PF or DP (paid-in-full). Shouldn't these loans also be included in the allocation of underlying loans to a consolidation loan?

A6: NSLDS has worked with the FFEL, Direct Loan, and Perkins communities to ensure that underlying loans that are included in a consolidation loan are properly reported with a Loan Status Code of PC, PN, or DN (paid-by-consolidation). However, it has become clear that some loans that were “paid off” by a consolidation loan were reported by the loan holder with a Loan Status Code of PF (Paid-in-Full) or DP (Defaulted Paid-in-Full) rather than with one of the paid-by-consolidation statuses. Therefore, beginning on August 25th of this year, NSLDS modified its process for determining underlying loans to include the paid-in-full Loan Status Codes of PF and DP. This change should reduce the instances where NSLDS is unable to find one or more of a consolidation loan’s underlying loans. We continue to work with our data providers to ensure that future reporting is consistent with the original directive.

Q7: I recently ran across a student who had a new FFEL Consolidation Loan, but no loans that met the definition of an underlying loan, as discussed above. How can that be?

A7: The process of consolidation involves multiple parties. The consolidating lender must obtain loan payoff information from each of the student’s loan holders. Payoff checks have to be issued and loan records updated. Sometimes this process can take many weeks. Thus, you may see a new consolidation loan in NSLDS, but the underlying loans have not yet been updated as having been “paid”. In other words such loans continue to have an active loan status and a positive outstanding balance. Generally, these circumstances resolve themselves within a month or two. However, to reduce the incidence of this situation causing “double counting” when NSLDS calculates aggregate amounts, we are modifying the aggregate formulas to exclude from the calculation of aggregate amounts any consolidation loan that has been made in the past 60 days and where none of the underlying loans show having been paid off (NSLDS Loan Status Code of PC, PN, DN, PF, or DP). Since the underlying loans are still in an open status, they will be reflected in the aggregate totals, but the consolidation loan will not. This change went into production on August 25th.

Q8: What happens when some, but not all, of the underlying loans have been updated by the loan data provider?

A8: Schools may find cases where one or more of the underlying loans have been updated, thus triggering the inclusion of the consolidation loan, but other underlying loans are still in an open status with a positive outstanding principal balance. Since students generally consolidate all of their open loans, schools can usually determine, by looking at the amount disbursed of the consolidation loan and comparing it to the student’s remaining open loans, which loans were likely included in the consolidation loan. Schools may then re-calculate the aggregate totals, and award new loans as may be appropriate for that student. It is not necessary to wait until the rest of the underlying loans have been updated in NSLDS. (Note: See Q&A #18 and #19 below for additional information on resolving NSLDS eligibility issues.). Again, we continue to work with the loan data providers to find ways to minimize cases of “double counting”.

Q9: How does NSLDS allocate an FFEL consolidation loan between subsidized and unsubsidized?

A9: As noted in Q&A #5 and #6 above, for each FFEL consolidation loan, NSLDS identifies the underlying loans and uses those loan amounts to allocate the current outstanding principal balance of the consolidation loan between subsidized, unsubsidized, and combined amounts. NSLDS does this by taking the total amount originally disbursed for all of the identified underlying Subsidized loans and dividing that amount by the originally disbursed amount of the consolidation loan. This results in an approximation of the percentage of the total original consolidation loan that can be attributed to the Subsidized loans. This percentage is then applied to the current outstanding balance of the consolidation loan with the result being the amount that is included in the NSLDS calculation of the total amount of Subsidized loans for the student. A similar process is followed to allocate the unsubsidized amount.

Q10: Will the calculation of the subsidized and unsubsidized portions of an FFEL Consolidation Loan always total the actual outstanding balance of that loan?

A10: It depends. If the only loans that were included in the consolidation loan were FFEL or Direct subsidized and unsubsidized loans and if all of those loans have been reported by their data provider in a timely manner with the proper Loan Status Codes, the calculation described above would account for the full amount of a consolidation loan's outstanding principal balance. However, as is described more fully below, that is not always the case. Therefore, NSLDS subtracts the total of the calculated subsidized and unsubsidized outstanding balance amounts from the actual outstanding balance of the consolidation loan. Any balance is considered to be "unallocated".

Q11: What does "unallocated" mean?

A11: Unallocated amounts occur when, with the information that has been provided by data providers, and after eliminating underlying Perkins and PLUS loans, NSLDS is unable to account for the full amount of the outstanding balance of the FFEL Consolidation Loan. Refer the attachment to this document for an example of how NSLDS calculates the portion of a consolidation loan's outstanding balance that applies to the subsidized, unsubsidized, and combined limits, and the portion that is "unallocated".

Q12: Where does NSLDS report the amount of an FFEL Consolidation Loan that is "unallocated"?

A12: Because, by definition NSLDS cannot determine where an unallocated amount actually belongs, it assumes the amount was borrowed from the FFEL or Direct Loan programs and is included in the total combined balance. However, none of the "unallocated" amount is included in the Subsidized balance as it is unlikely to have come from a Subsidized Loan, as explained in Q&A #13 below.

Q13: If all loans were reported to NSLDS, why would there ever be an “unallocated” amount?

A13: Unallocated amounts can occur for a number of reasons, as follows –

- The unallocated amount may represent capitalized interest included in the consolidation loan. Note that capitalized interest does not count toward a borrower’s aggregate limits. Therefore, if the school determines that all or a portion of the unallocated amount reported by NSLDS represents capitalized interest, it may deduct that portion from the reported aggregate amounts.
- The underlying loan may have been closed with a PF or DP status code instead of a PC, PN, or DN code and therefore, not included in the computation. (See Q&A #6 for a change made on August 25th that resolved this situation.)
- There may be an HHS loan included in the consolidation loan. As noted earlier, unlike Perkins and PLUS loans which like HHS are excluded from the aggregate computations, HHS loans are not reported to NSLDS. Therefore, the system is not able to automatically exclude them.
- In the case of a joint consolidation loan there may be underlying loans from the borrower’s spouse.
- PLUS loans may have been included in the consolidation loan. (See Q&A #16 below for an upcoming change for the handling of PLUS loans.)
- An FFEL or Direct Loan did not yet get added to NSLDS because of an edit condition that hit when the loan was being added to NSLDS.

Q14: If I determine that all, or a portion, of the “unallocated” amount represents capitalized interest or an HHS loan, may I exclude the “unallocated” amount from aggregate totals and possibly award additional loans?

A14: Yes. Of course, you should document your findings or calculations for audit purposes. Also, note that, as discussed in Q&A #12, unallocated amounts are not initially included by NSLDS in the subsidized calculations. See Q-37 and Q-39 from GEN-96-13 for more information.

Q15: Is it necessary to review every Consolidation Loan that has an unallocated amount?

A15: In general, schools only need to review unallocated amounts if the student is near his or her aggregate limit(s) and reducing or eliminating the unallocated amount would enable the student to borrow additional loans.

For example, a school could determine what the affect on additional Subsidized loan eligibility would be if it assumed that the consolidation loan’s entire unallocated amount was subsidized. If, under such an assumption, there would not be an impact on the amount of Subsidized loan the student would be eligible for, then no additional action would be necessary. Similarly, the school could consider the affect on eligibility if all of the consolidation loan's balance were assumed to be unsubsidized.

Q16: On occasion, it appears a PLUS loan is included in a Consolidation loan and therefore is reflected in the student’s aggregate loan amounts. Shouldn’t PLUS loans be excluded when determining aggregate limits?

A16: Yes, PLUS loans should be excluded when determining aggregate amounts borrowed. NSLDS will exclude them from the FFEL Consolidation Loan calculations starting in with 2004-05. In the meantime, schools can document their findings and recompute aggregate totals to determine if the student is eligible for additional loans. (Note that in the Direct Loan Program a PLUS loan that has been consolidated is maintained separately and, therefore is automatically excluded from the aggregate calculations.)

Q17: What happens if a student exceeds one or both of the aggregate limits?

A17: Under the HEA, a student is ineligible for additional Title IV aid if he or she has borrowed in excess of an annual or aggregate loan limit. If the receipt of the excess loan funds was inadvertent on the student's part, only the amount that exceeded the annual or aggregate program maximum must be repaid by the borrower. The student may also regain eligibility for additional Title IV aid by making arrangements, satisfactory to the holder of the loan, to repay the excess loan amount. However, the holder of the loan may choose to develop a repayment plan that has the borrower reaffirm that he or she will repay the excess according to the terms and timing of the original promissory note.

Q18: Must the school make certain that any excess borrowing or other negative information in be cleared in NSLDS before it can disburse Title IV student aid?

A18: No, if the school obtains written documentation from a loan holder that the student is eligible for Title IV aid despite such negative information being contained in the NSLDS, it may award and disburse aid. For example, if NSLDS shows that the student has borrowed in excess of loan limits or has defaulted on a Title IV loan, but the school has obtained written documentation from the holder of the loan(s) that the borrower had made "satisfactory arrangements to repay", the school may award and disburse additional aid without waiting for NSLDS to be updated.

Q19: What if a school believes that data in the NSLDS may be in error?

A19: If a school believes that data in the NSLDS for a student are in error it should contact the data provider included in the NSLDS record and provide it with any information that will assist in correction of the error. As noted above, if the school receives written documentation from the data provider that the student is not ineligible for additional aid, it may go ahead and disburse without waiting for NSLDS to be updated.

Q20: What are a school's responsibilities and possible liabilities if a student received loan funds in excess of annual or aggregate maximums (or if the student was in default or owed an overpayment) and that information was not available from NSLDS at the time the SAR and ISIR were produced?

A20: A school will only be responsible for the financial aid history information it had at the time it disbursed aid to the student. However, once a school becomes aware, through the NSLDS or any other means, that a student is not eligible and/or was not eligible for aid previously disbursed, it must (1) not disburse or deliver additional funds and (2) assist the Department or lender in requiring the student to make arrangements to repay any funds the student was not eligible to receive.

Q21: I have a student who got loans as a graduate student, but is now an undergraduate. NSLDS appears to be including the graduate loans when determining if the student exceeds aggregates. Can this be changed?

A21: Yes, a change is planned for the 2004-05 processing year that will exclude from the calculation of undergraduate loan amounts, loans received while the student was a graduate or professional student.

See NSLDS Newsletter #8, found at <http://ifap.ed.gov/nsldsmaterials/Newsletter8.html>, for more information.

We hope that the information provided above is useful and that the changes we have recently made result in less burden and more accurate information. We also know that the requirements and these computations are complex. For these reasons, we continue to work with both the school and lender communities to continually monitor, review, and enhance the capabilities of NSLDS. And, we thank you for your patience and cooperation. If you have any questions or comments on the information contained in this letter and the enclosures, please contact the NSLDS Customer Service Center at 1-800-999-8219, from 8:00 A.M. to 8:00 P.M. eastern time, except Federal Holidays. Or, you can e-mail your question to <mailto:nsldscoe@raytheon.com>.

Attachment to Enclosure from Dear Partner Letter GEN-03-12
Example of Allocation of a Consolidation Loan

In this example, the student has \$5,500 in underlying Subsidized Loans and \$5,000 in underlying Unsubsidized Loans. The student consolidated those loans into a FFEL consolidation loan, which has a total disbursement amount of \$11,373. However, the aggregate outstanding principal balance of the FFEL consolidation loan is now only \$11,294.

To determine the portion of the consolidation loan that should be allocated to subsidized for the borrower, the \$5,500 that was disbursed as a Subsidized Loan is divided by the \$11,373 total disbursed amount of the consolidation loan. The resulting ratio of .4836 is then multiplied by the \$11,294 current outstanding principal balance of the consolidation loan, resulting in an allocation of \$5,461 of that balance to subsidized.

To determine the portion of the consolidation loan that should be allocated to unsubsidized, the \$5,000 that was disbursed as an Unsubsidized Loan is divided by the \$11,373 total disbursed amount of the consolidation loan. The resulting ratio of .4396 is then multiplied by the \$11,294 current outstanding principal balance of the consolidation loan, resulting in an allocation of \$4,965 of that balance to subsidized.

Both the \$5,461 subsidized portion and the \$4,965 unsubsidized portion are subtracted from the \$11,294 outstanding principal balance of the consolidation loan, leaving an unallocated amount of \$868. Most likely, the \$868 is capitalized interest from the underlying loans.

Thus, NSLDS will report for this borrower that the amount of subsidized outstanding balance is \$5,461 plus any subsidized loans that were not consolidated, if any. \$4,965 will be reported as unsubsidized outstanding principal balance plus any unsubsidized loans that were not consolidated, if any. And, \$868 will be reported as unallocated. Note that the amount of combined outstanding principal balance reported by NSLDS will be the sum of all three allocations or \$11,294, plus any other FFEL or Direct Loans that were not consolidated, if any.

The following displays the NSLDS web page loan history and loan detail screens used for this example.

Loan History



Aggregate Loan Information

Loan Type	Outstanding Principal Balance	Pending Disbursements	Total
Subsidized Loans	\$5,461	N/A	\$5,461
Unsubsidized Loans	\$4,965	N/A	\$4,965
FFEL Consolidation Loans, Unallocated	\$868		\$868
Combined Loans	\$11,294	N/A	\$11,294
FFEL Consolidation Loans	\$11,294		\$11,294
Perkins Loans	N/A		N/A

NSLDSFAP Loan History page


1	CL - FFEL CONSOLIDATED				Status: RP as of 04/03/2003				
	DEFAULT SCHOOL FOR CONSOLIDATED LOANS 88888800								
Guaranteed Amt:		\$11,373	Disbursed Amt:		\$11,373	OPB:	\$11,294	Agg OPB:	\$11,294
Loan Date:		04/03/2003	Sep. Loan Ind:		A	Loan Period:		N/A - N/A	
Last Disbursement Amt:			\$11,373		Last Disbursement Date:		04/03/2003	Acad. Lv:	N/A
GA:		746 - EDUCATION ASSISTANCE CORPORATION							
Lender:		833405 - U S BANK NA TRUST ED LOANS INC							

NSLDS CL Loan Detail Page

Amounts for Loan 1

	Date	Amount
Loan:	04/03/2003	\$11,373
Outstanding Principal Balance:	07/31/2003	\$11,294
Outstanding Interest:	07/31/2003	\$30
Calculated Subsidized Agg. OPB:		\$5,461
Calculated Unsubsidized Agg. OPB:		\$4,965
FFEL Consolidation, Unallocated Agg. OPB:		\$868
Calculated Combined Agg. OPB:		\$11,294
Other Fees:		\$0

**NSLD
S Loan
Histor
y Page**

	SU - FFEL STAFFORD UNSUB				Status: PN as of 04/03/2003						
	UNIVERSITY OF ALASKA - ANCHORAGE 01146200										
Guaranteed Amt:		\$5,000	Disbursed Amt:		\$5,000	OPB:		\$0	Agg OPB:		\$0
Loan Date:		08/30/2000	Sep. Loan Ind:		A	Loan Period:		08/28/2000 - 05/06/2001			
Last Disbursement Amt:			\$2,500		Last Disbursement Date:			01/03/2001	Acad. Lv:		3
GA:		746 - EDUCATION ASSISTANCE CORPORATION									
Lender:		833405 - U S BANK NA TRUST ED LOANS INC									

3	SF - FFEL STAFFORD SUB				Status: PN as of 04/03/2003				
	UNIVERSITY OF ALASKA - ANCHORAGE 01146200								
Guaranteed Amt:		\$5,500	Disbursed Amt:		\$5,500	OPB:	\$0	Agg OPB:	\$0
Loan Date:		08/30/2000	Sep. Loan Ind:		A	Loan Period:		08/28/2000 - 05/06/2001	
Last Disbursement Amt:			\$2,750		Last Disbursement Date:		01/03/2001	Acad. Lv:	3
GA:		746 - EDUCATION ASSISTANCE CORPORATION							
Lender:		833405 - U S BANK NA TRUST ED LOANS INC							